

EXPLANATORY NOTES

ON THE INCOME AND EXPENDITURE BUDGET IN 2017

Antibiotice SA Iasi, a trading company listed on the Bucharest Stock Exchange with a share capital amounting to 67,133,804 RO, whose main shareholders are as follows (reference date 09.01.2016)

No	NAME	TOTAL SHARES	%
1	THE MINISTRY OF HEALTH (*)	355,925,135	53.0173
2	S.I.F.OLTENIA (*)	90,984,446	13.5527
3	BROADHURST INVESTMENTS LIMITED	28,180,963	4.1977
4	S.I.F. TRANSILVANIA	27,026,664	4.0258
5	VIITORUL TAU/ALLIANZ PP PRIVATE PENSION FUND	14,575,530	2.1711
6	S.I.F. BANAT-CRISANA S.A.	14,167,736	2.1104
7	ALICO PRIVATE PENSION FUND	10,147,713	1.5116
8	ARIPI/GENERALI S.A.F.P.P PRIVATE PENSION FUND	4,553,068	0.6782
9	A - INVEST	4,524,500	0.6740
10	POLUNIN DISCOVERY FUNDS - FRONTIER MARKETS FUND	3,546,938	0.5283
	TOTAL	553,632,693	82.4671
	Other shareholders (42,116 shareholders)	117,705,347	17.5329
	Total no of shareholders (42,126 shareholders)	671,338,040	100,00

When establishing the budget for 2017 we took into account the following:

- Maintaining the market share on the Romanian market and a leading position in the hospital segment;
- Development of the international market to 34% of total sales;
- Research to obtain marketing authorizations for products with impact on the increase of future sales (2017-2020);
- Providing investments in production lines, quality control laboratories, the Research and Bioequivalence Center in order to maintain the authorization of good manufacturing practice in Romania and in the US (Food and Drug Administration) as well as the countries where we have produced products for export.

Based on these considerations, sales plans were based on therapeutic classes and products, on the pharmaceutical market in Romania and based on geographic areas and customer on the external market. Based on the sales programs the following were established:

- the production program;
- the program of procurement of raw materials and materials from import and domestic sources;
- the utility production program;
- equipment maintenance program;
- workforce needed and professional training to achieve the objectives.

The average exchange rate taken into account when establishing the Revenue and Expenditure Budget is 4.55 lei / euro. The Income and Expense Budget for 2017 was approved by Antibiotice's Board meeting according to Minutes no. 3 on 5th March 2017, as per Decision no. 5.

Presenting the indicators (from Annex 2 of the Budget of Income and Expenditure 2017):

- The production sold (row no. 3) represents the value of the production on the eight GMP- authorized production lines, production to be sold on the domestic market (137,904 THS lei) as well in exports (115,000 THS lei).
- Income from sale of goods (row 8) represents the proceeds from the sale of Antibiotice products manufactured on other manufacturing sites (an important share is given by injectable cephalosporins) with a value of 87,898 THS lei.
- Income from the production of fixed assets (row 12) represents the value of the product licenses obtained by research and development activities applicable to the company, including bioequivalence studies, amounting to 2.827 THS lei.
- Other operating income (row 14) represents revenue from the sale of ferrous and non-ferrous waste as a result of the dismantling of fully depreciated equipment which is evaluated in this respect, decommissioned and canceled at the level of 140 THS lei.
- Financial income (row 22), amounting to 3,180 THS lei, represents the revenues obtained by the company mainly from exchange rate differences related to the obligations and receivables in foreign currency as well as income from interest with

respect to financial assets in bank accounts.

- Total expenses (r. 29) amount to 310,918 THS lei.
- Operating expenses (r.30) amount to 301,969 THS lei.
- Raw materials (r. 33), consumables (r. 34) and expenditure on inventory material (r.37) represent the expenditure required for the production produced on the company's manufacturing lines. For 2017, for raw materials and excipients a value of 65,115 THS was provided.

➤ Expenses on electricity, gas and water (r.38) represent the electrical energy consumption, methane gas and water used in the production process both directly and for other uses (technological steam, sterile compressed air, purified water for injections) necessary for the manufacture of medicines. The level of these expenses is 8,468 THS lei.

➤ Expenses on goods (increased in 2017 (the level of 57,906 THS lei compared to the approved level in 2016). This indicator represents the expenses with Antibiotic products manufactured on other sites outside the country (Cefort, Cefotaxim, Colistine, the sales value being higher than the previous year.

➤ The maintenance and repairs expenses ensure the maintenance of the equipment and the spaces which are authorized (r. 41) and are based on the table below:

Notes:

r.= row

thousand = THS

Unit	VALUE (THS LEI)
QUALITY UNIT	181
Commercial and LOGISTICS	220
ENGINEERING AND INVESTMENT	383
MARKETING AND DOMESTIC SALES	350
MEDICAL UNIT	314
PRODUCTION UNIT	867
TOTAL	2,315

In the year 2016 the maintenance and repair costs amounted to 1,888 thousand lei, the planned level for 2017 being 2,315 thousand lei - the necessary expenses for ensuring an optimal operation of the company.

Repair costs include the repairs of the vehicle fleet in the promotion and sales department on the domestic market as well as those for freight cars.

Expenditure on insurance premiums (r. 45) amounting to 1,550 thousand lei represent expenses with insurance of mortgaged property on bank loans, pledged stocks for the same bank loans as well as expenses with goods insured during the international transport and the insurance of trucks and cars.

-Protocol expenses (r.51) justified by meals at the occasion of organizing symposium, conferences, product presentations to doctors, opinion makers and pharmacists. The amount of these expenses on 2017 is 654 thousand lei, falling within the limit of deductibility provided by art. 25 paragraph 3 of Law no. 227/2015, respectively 2% of the accounting profit to which are added protocol expenses (34,945 thousand RON x 2% = 698

thousand lei).

- Advertising expenses amount to 2,157 thousand RON (r. 53) representing necessary expenditure for the promotion of both the new as well as the existing products in the portfolio.

- Sponsorship expenses amounting to THS 1,117 thousand lei (row 57) include sponsorship in fields: science, health, education, culture, education, sport, falling within the limits deductibility provided in art. 25, paragraph 4, letter i, of Law no. 227/2015, respectively 20% of the income tax due (6,300 thousand lei x 20% = 1,260 thousand lei)

- Expenditure on the daily allowance is worth RON 121 thousand (r.64) will increase in 2017 compared to the level achieved in 2016, motivated by the need to have more mobility (for sales growth) in the country, for product promotion abroad, determined by conducting certification audits of the suppliers of raw materials from India and China, according to European Pharmacopoeia regulations (Good Manufacturing Practice). The lack of certification of these suppliers leads to the impossibility of manufacturing medicinal products by withdrawing the Marketing Authorization, resulting in a decrease of the turnover.

- Expenditure on professional training (r.72) was established in 2017 in the amount of 498 thousand lei due to the need to maintain a high level of professional training mandatory to maintain integrated management certifications.

Under the conditions of fulfilling obligations provided by art. 194 of Law 53/2003 in the Labor Code, republished in 2011, the employer ensures and supports the costs of participating in professional training programs for staff at least once every 2 years. Thanks to the specific and the particularities imposed by the main object of activity (CAEN code 2110 - manufacture of

pharmaceutical products) most of the training sessions consist of continuous professional training,

which can only be ensured by external suppliers agreed by control bodies, authorizing bodies , the cost of these training following an upward trend, which leads to the need to allot an amount which is higher than last year expenses.

The training programs on 2017 are presented below:

UNIT	VALUE (THS LEI)
QUALITY UNIT	98
COMMERCIAL AND LOGISTICS	16
BUSINESS DEVELOPMENT	40
FINANCIAL UNIT	39
DIRECTIA GENERALA	61
ENGINEERING AND INVESTMENT UNIT	47
HR MANAGEMENT UNIT	11
MARKETING AND DOMESTIC MARKET SALES	21
MEDICAL UNIT	106
PRODUCTION UNIT	59

Other expenses (row 78) represent distribution expenses related to contracts concluded with distributors of the company (through distribution services and other auxiliary services) - i.e. distributors carry out distribution of medicinal products in hospitals, participation in auctions with company products, ensuring the necessary logistics for distribution operations, commercial campaigns to support a type of business product or group of products, placing the company's business offers in pharmacies), services performed for the registration of drugs at the NAMMD Romania and on external markets, services relative to internal and external market analysis, services for the proper functioning of the production process, services relative to events in the medical sector at national level, services for the smooth development of the import and export activity, service provision for the smooth running of the Center for Drug Evaluation activity, services relative to the activity of the Commercial and Quality Departments expenses on the purchase of books, magazines, publications as well as costs invoiced by utility suppliers for green certificates. The amounts are as follows:

- distribution related expenses = 14,500 THS lei
- providing services for registering drugs at NAMMD = 1,100 THS lei
- providing services for drug registration on external markets = 1,300 THS lei
- services for the analysis of the internal and external market = 1,100 THS lei
- supplies for the proper functioning of the production process = 3.100 THS lei
- services relative to medical events = 1,578 THS lei
- services relative to the Center for Drug Evaluation = 1,000 THS lei
- services relative to the import/export activity = 2,700 THS lei
- services relative to the Quality Unit, Commercial Unit, Financial Unit, General Admin Unit, Engineering Unit, Medical Unit = 1,242 THS lei
- books, magazines, publications= 20 THS lei
- green certificates = 677 THS lei

- Expenses with taxes and fees amounting to RON 26,917 thousand (r. 79) stand for taxes and fees, as well as the quarterly contribution for medicines covered by FNUASS and the budget of the Ministry of Health. This makes the company's profitability level decrease and also the ability to self-finance the investment program designed to develop the production capacity, along with sales ability.

- Wages/payroll expenses paid in the amount of 65,097 thousand lei (r. 87) stand for salaries for staff with an individual labor contract that includes the salary, awards and other bonuses determined according to the Collective Employment Contract, the bonuses granted according to the provisions of the law, representing social expenses, meal tickets and employee participation to profit in 2016.

The motivation of increase of the salary expenses by 6,539 thousand lei, compared to amounts approved in the income and expenditure budget for 2016 was made in compliance with the provisions of Article 59 paragraph 7) of Law 6/2017 of the state budget for 2017.

According to art. 59 paragraph 7) of Law 6/2017, the economic operators applying the Government Ordinance no. 26/2013, with subsequent modifications and additions, may provide

in the income and expenditure budget, the increase of the salary costs compared to the level

provided in the latest budget of income and expense, if they cumulatively fulfill the

following conditions:

- a) have not recorded gross losses in the last 2 consecutive years;
- (b) have been included in the level of the outstanding payments approved through the income and income budget in 2016;
- c) do not plan gross losses for 2017.

The average number of employees will be 1.420, with an average monthly income per employee determined on the basis of salary costs in the amount of 3.447 LEI / person / month.

- Expenses regarding the participation of the employees in the profit obtained in the previous year (r 98) in the amount of RON 2,360 thousand represent the amount registered in the expense account on employee participation to profit that is the gross amount (the equivalent of the amount received by the employee and income tax and individual contributions related to this amount). In row 113, "Expenditures with insurance and social protection" include the contributions of the respective unit related to the participation of the employees to profit up to the amount of 2,900 thousand lei.

A. Legal grounds

Article 37 paragraph (2) of GEO no. 109/2011: "The remuneration of non - executive members of the Board or the supervisory board consists of a fixed monthly allowance and a variable component. Fixed allowance cannot exceed twice the average on the last 12 month of the monthly average gross salary according to the national classification of the economy, communicated by the National Institute of Statistics prior to appointment. The variable component is established on the basis of financial and non-financial performance indicators negotiated and approved by the general meeting of shareholders. [...] The share of the variable component of non-executive members cannot exceed a maximum of 12 monthly allowances."

Article 38 paragraph 1 of GEO no.109 / 2011: "The directors' remuneration is established by the Board of administration and may not exceed the level of remuneration set for executive members of the Board. It is the only form of remuneration for directors who also fulfill the status of administrators. "

Article 38 paragraph 2 of GEO no. 109/2011: "Remuneration consists of a monthly fixed allowance set within the limits provided by art. 3 paragraph (3) and a variable component consisting of a share of the company's net profit, shareholding, stock options or an equivalent scheme, pension scheme or another form of remuneration based on performance indicators.

B. Payment of allowances/compensation

The level of fixed annual compensation of non-executive members of the Management Board is:

3,490 lei /month x 2 x 4 months = 27,920 lei compensation for the period January - April 2017 applicable to administrators appointed on 20.03.2014 and 30.04.2015

3,877 lei /month x 2 x 4 months = 31,016 lei compensation for January - April 2017 - applicable to administrators appointed on 19.04.2016

(3,490 lei x 2) x 2 members x 8 months = 111,680 lei compensation for the period May - December 2017 applicable to the administrators appointed on 20.03.2014 and on 04/30/2015

(3,877 lei x 2) x 2 members x 8 months = 124,064 lei members compensation for the period May-December 2017 applicable to administrators appointed on 19.04.2016

Level of the fixed annual compensation of executive members of the Management Board:

3,877 lei / month x 6 x 12 months = 279,144 lei compensation January-December 2017 applicable to the executive directors appointed on 19.04.2016

The total fixed component (including the committee remuneration) for executive and non-executive members of the Board is 628,208 lei.

The variable allowance will be awarded annually, depending on the percentage of achievements, the performance criteria and the involvement in the working groups/teams set up at company level of each member of the Board.

The variable component for members of the Board is 388 thousand lei. The allowance of the secretary of the Board is 12,000 lei.

- Depreciation of tangible and intangible assets (r.127) represents mainly expenditure with the depreciation of existing assets and those relative to investments being planned within the amount of 19,732 THS lei
- Financial expenditure (r.136) comprise mainly expenses with interest for bank loans, to which are added expenses from foreign exchange difference related to financial operations as well as financial discounts granted to clients on the basis of the financial offers for receipts before the due date.
- The gross result (r. 145) is 34,945 THS lei.
- Non-deductible expenses (r. 147) amount to RON 5,000 thousand lei and stand for expenses that fall within the provisions of art. 25, par. 3) and 4) of Law 227/2015, representing:
 - interest, late payment fees, fines - 14 thousand lei (r. 122);
 - expenses related to adjustments and provisions - RON 2,900 thousand (row 129);
 - expenses related to non-taxable income - 500 thousand lei, according to art. 25, par. 4), point e);
 - 50% of the expenses related to vehicles which are not used exclusively for the purpose of the economic activities per art. 25, paragraph 3), letter l) - 150 thousand lei;
 - expenses on non-deductible amortisation resulting from the revaluation difference relative to fixed assets registered by taxpayers applying accounting regulations in accordance with the International Financial Reporting Standards (IFRS): 1,436 thousand lei.
- The net result is 28,645 thousand lei.

As regards the measures to be taken to achieve the budgeted indicator for 2017, debt recovery measures have been stepped up by a stronger communication with

our distributors in order to increase the volume of receipts/ cash collection. At the same time, there is a management system in place based on expenditure budgets (cost centers) in order to cap the costs to the strict minimum in order to avoid an increase in expenses and thus a need to finance the current activity.

In certain periods of time, when debt recovery will be more difficult, the “outstanding payment” will be zero by withdrawing contracted and unused credit lines altogether.

Establishing/providing a basis for the investment program is presented below:

INVESTMENTS

ANTIBIOTICE S.A. produces valuable and affordable medicines, accesible to patients, doctors and pharmacists. There is constant concern to improve the activity and the products.

A valuable drug is not necessarily a very expensive one, but one that people can afford and which brings a reasonable income, which allows sustaining production and performance by investing in people, technology and successful partnerships in order to strengthen our position on markets where we are already present, as well as penetrate potential, new markets.

To achieve this, permanent and well-planned investment is needed, to contribute effectively to the balanced development of all company units: production, research, quantitative control, utilities and logistics.

The investment objectives included in the program are:

- Establishing a new, high-performance capacity equipped with modern production facilities for the manufacture of ointments and suppositories, authorized by GMP standards and FDA;
- Modernization and refurbishment of existing production flows for enhanced production capacities, product quality and cost reduction in production;
- Modernization of installations that provide utilities for the entire platform;
- achieving a goal that responds to the pollution reduction strategy and protection of the environment;
- for strengthening the integrated management system, creating new facilities for production in order to reduce costs, utilities and growth, labor productivity, continued compliance with the growing demands of the GMP manufacturing practice, and regulations on work protection and environmental protection.
- increasing the storage capacity for raw materials corresponding to the increase in production capacities.

I. ONGOING INVESTMENT SCHEDULE

1. The equipment for the production plants, research and development units

In 2016, lab equipment and apparatus were contracted in view of refurbishing production flows, quality control laboratories and research labs, for which payments will be made in 2017. Both manufacturing equipment as well as lab equipment are latest generation state-of-the-art equipment, allowing for high productivity and low energy consumption and a high operational safety. The manufacturing equipment is intended to replace older generation equipment with significant physical wear which generates high maintenance costs and lower productivity.

The purchase of modern lab equipment is imposed by the continuous review of monographs in pharmacopoeias and increasing the precision of methods used in pharmaceutical laboratories.

2. Rehabilitation of the system for support and distribution of utility transport network

This is an ongoing upgrading/modernization of the utility transport and distribution system (steam, compressed air, hot water, demineralized water, gas methane, electricity) on the entire platform of the company, started in previous years. The main objective of this investment is sizing and adapting utility routes to the current/present consumption of production lines, so that energy savings can be made by reducing consumption and eliminating losses.

3. Warehouse for biosynthesis related raw materials

Following the analysis, it was proposed to arrange a warehouse for raw materials for biosynthesis near the manufacturing plant, having the main advantage of being positioned in close proximity to the manufacturing line, thus reducing fuel consumption when transporting goods from warehouse to the production plant, increasing work productivity

II. NEW INVESTMENTS

1. Building a new Ointment and Suppository Plant

The aim of the project is to build a new facility for the manufacture of semi-solid pharmaceutical products dosaged into tubes and suppositories, in view of increasing the turnover and capacity of Antibiotice S.A. to register, produce and market Romanian pharmaceutical products by investing in a new, GMP licensed plant, the GMP being valid on all regulated pharmaceutical markets (Europe, US and Canada).

Objectives of the investment

- Building and equipping an EU-GMP and FDA soon to be authorized Ointment and Suppository Plant.
- GMP Certification of the newly developed Ointment and Suppositories Plant by the national regulatory authority in the field (National Agency for Medicines and Medicinal Devices).
- Providing safety conditions for the manufacture of medicines in compliance with the legislative and pharmacopoeia requirements, for the registration and sale on all

Justifying the investment

- Setting up a modern plant for the manufacture of semisolid drugs filled into tubes (ointments, creams, gels) and suppositories represents for Antibiotice the guarantee of long-term business development
- The company's development strategy focuses on maintaining and expanding the portfolio of semisolid products filled into tubes and suppositories.
- The strategy is based on the development of the portfolio for the domestic market, but also diversifying and penetrating important foreign markets in Europe, North America, Asia and Africa.
- To ensure the main characteristics of the medicines (quality, efficiency, safety), their manufacture must be done in facilities equipped with high-quality, high-performance equipment and critical utilities that meet the GMP requirements.

2. Investment on the manufacturing lines

In 2017 was proposed the purchase of equipment, installations, various endowments and laboratory equipment for the refurbishment of the manufacturing lines. The manufacturing equipment and facilities to be bought are latest generation, with high productivity and low energy consumption and high operational safety. The manufacturing equipment is intended to replace older generation equipment with significant physical wear which generates high maintenance costs and lower productivity. It is also necessary to purchase equipment and facilities to ensure the implementation of protective measures to reduce energy consumption and in view of work safety.

3. Purchasing authorizations for new products and research projects

The new product development program for developing new products has the following objectives

- Modernization of the product portfolio in order to provide the internal market with latest generation generics, therapeutically effective and safe in administration
- Providing competitive pharmaceuticals on the foreign market and ensuring, in the long run, the growth of Antibiotice's turnover and competitiveness
- reducing CNAS spending on the purchase of expensive import drugs or medicines at risk of discontinuity.

4. Investment in Research

Research is one of the most dynamic activities in company, which records permanent changes and a positive trend. In the whole company, research acts as a dynamic element in the whole system, generating new products, which leads to an increase in production. Having a specific high consumption of intelligence - and creativity, research contributes to the development of the product portfolio.

Considering the importance of the information generated in the Center for Drug Evaluation, the investment program includes a range of equipment, endowments/facilities and software to support and improve research activities, in order to obtain new, quality, valuable, competitive products in the market.

5. Investments in Quality

Considering the continuous review of pharmacopoeial monographs and increasing the precision of analysis methods in the pharmaceutical industry, it has become imperative to acquire latest-generation equipment that will make it possible to maintain the quality of products manufactured by Antibiotice at international standards. Quality Control Laboratories have a decisive role in demonstrating the quality and conformity of the products manufactured in our company, which is why they must be permanently equipped with the most modern and efficient lab equipment.

6. Investments to ensure logistics

Investments are mainly directed towards the refurbishment of the car fleet. It intends to acquire medium-sized modern car transport to ensure operational safety, fitted in accordance with the applicable transport legislation, for the transport of raw materials and finished products and for the partial replacement of the used car fleet.

7. Investments for the production and transport of utilities

Investments are mainly focused on system upgrading and revamping, equipment and installations for the production of utilities (steam, compressed air, hot water, demineralized water, methane gas, electricity, drinking water, sewerage, etc.) on the entire platform of the company in order to size and adapt the utilities routes to the actual consumption of the production lines, so as to achieve energy savings by decreasing consumption and eliminating losses.

By implementing these investments there will be benefits such as:

- operational safety;
- increasing labor productivity;
- reducing intervention times by implementing a powerful diagnosis system based on error messages that reduce maintenance and repair-work;
- economy of energy and resources and implicitly better environmental protection;
- use in the operation of the equipment by the human operator.

Forecast investments for 2018

In 2018, the works on the new plant for ointments and suppositories will continue. The Quality Control and Research Labs will be revamped.

We will also continue with the tendency to develop and co-ordinate the product portfolio through the acquisition of licenses for new products and the development of new research projects. There will also be focus on refurbishing and upgrading the installations for the production of utilities (steam, compressed air, electricity).

Forecast investments for 2019

In 2019, the new Ointments and Suppository Plant will be commissioned. Actions to revamp and modernize the production flows will be continued, as well as upgrading the Quality Control and Research Laboratories. We will also continue with the tendency to develop and co-ordinate the product portfolio through the acquisition of licenses for new products and the development of new research projects. Here we will focus on refurbishing and upgrading the installations for the production of utilities (steam, compressed air, electricity).

The Budget of Income and Expenditure for 2017 was grounded and subjected to financial management control according to GD no. 1151/2012 for the approval of methodological norms on how to organize and conduct financial management control.

CEO,
EC. IOAN NANI

FINANCIAL DIRECTOR,
EC. PAULA COMAN

THE BUDGET OF INCOME AND EXPENDITURE on 2017

		ths lei								
		INDICATORS	Row no.	Obtained/ Preliminary on 2016	Proposals on current year 2017	%	Estimates in 2018	Estimates in 2019	%	
0	1								2	3
I.		TOTAL REVENUE (R.1=r.2+r.5+r.6)	1	345,080	345,863	100.2	352,130	369,830	101.8	105.0
	1	Total operating income, of which:	2	338,113	342,683	101.4	348,920	366,620	101.8	105.1
		a) subsidies, according to legal provisions in force	3							
		b) transfers, according to legal provisions in force	4							
	2	Financial income	5	6,967	3,180	45.6	3,210	3,210	100.9	100.0
	3	Extraordinary income	6							
II.		TOTAL EXPENDITURE (R.7=r.8+r.20+r.21)	7	310,198	310,918	100.2	316,217	332,162	101.7	105.0
	1	Operating expenses, out of which:	8	299,387	301,969	100.9	307,792	323,877	101.9	105.2
		A. Expenditure on goods and services	9	173,255	184,858	106.7	186,700	190,200	101.0	101.9
		B. expenses on taxes, fees and similar charges	10	25,800	26,917	104.3	28,000	33,100	104.0	118.2
		C. Staff related expenses, of which:	11	71,317	80,333	112.6	82,342	83,577	102.5	101.5
		C0 Payroll expenses(R.13+R.14)	12	57,895	65,097	112.4	66,845	67,848	102.7	101.5
		C1 expenses on salary	13	52,508	58,735	111.9	60,625	61,535	103.2	101.5
		C2 bonuses	14	5,387	6,362	118.1	6,220	6,313	97.8	101.5
		C3 other staff related expenses, of which:	15							
		expenditure on compensatory payments for staff redundancies	16							
		C4 Expenditure related to the mandate contract and other management and control bodies, commissions and committees	17	817	1,028	125.8	943	957	91.8	101.5
		C5 social insurance and social protection expenses, special funds and other legal obligations	18	12,605	14,208	112.7	14,552	14,771	102.4	101.5
		D. other operating expenses	19	29,015	9,861	34.0	10,750	17,000	109.0	158.1
	2	Financial expenses	20	10,811	8,949	82.8	8,425	8,285	94.1	98.3
	3	Extraordinary expenses	21							
III.		GROSS RESULT (profit / loss)	22	34,882	34,945	100.2	35,913	37,668	102.8	104.9
IV.		INCOME TAX	23	4,511	6,300	139.7	5,746	6,027	91.2	104.9
V.		ACCOUNTING PROFIT LEFT AFTER WITHDRAWING INCOME TAX, out of which:	24	30,371	28,645	94.3	30,167	31,641	105.3	104.9
	1	Legal provisions	25	0	0	0.0	0	0	0.0	0.0
	2	Other reserves representing fiscal facilities provided by law	26	3,714	0	0.0	0	0	0.0	0.0
	3	Covering accounting losses from previous years	27							
	4	Establishing our own funding sources for projects co-financed from external loans, as well as creating the necessary resources to repay the capital, interest rates, commissions and other costs associated with these loans	28							
	5	Other distributions provided by law	29	910	0	0.0	0	0	0.0	0.0
	6	Accounting profit remaining after deducting the amounts from rows 25, 26, 27, 28, 29	30	25,747	28,645	111.3	30,167	31,641	105.3	104.9
	7	Employee participation to profit up to 10% of the net profit but not more than the level of an average monthly salary obtained by the economic operator in the respective financial year	31	2,900	2,900	100.0	2,900	2,900	100.0	100.0
	8	Minimum 50% payments to the state or local budget in the case of autonomous companies or dividends due to shareholders for national companies / companies with full or majority state-owned capital, out of which:	32	25,747	16,092	62.5	16,533	17,271	102.7	104.5
		a) - dividends due to the state budget	33	13,650	8,532	62.5	8,766	9,156	102.7	104.5
		b) - dividends due to the state budget	33a							
		c) - dividends due to other shareholders	34	12,097	7,560	62.5	7,768	8,114	102.7	104.5

0	1	INDICATORS	Row no.	Obtained/ Preliminary on 2016	Proposals on current year 2017	%	Estimates in 2018	Estimates in 2019	%	
									9=7/5	10=8/7
0	1	2	3	4	5	6=5/4	7	8	9	10
	9	The profit not allocated as intended under r.31 -r.32 is allocated to other reserves and constitutes its self-financing sources	35	0	12,553	0.0	13,633	14,371	108.6	105.4
VI		REVENUE FROM EUROPEAN UNION FUNDS	36							
VII		ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, of which	37							
	a)	material expenses	38							
	b)	payroll expenses	39							
	c)	expenditure on service provision	40							
	d)	advertising and publicity expenses	41							
	e)	other expenses	42							
VIII		INVESTMENT FINANCING SOURCES, of which:	43	20,106	72,094	358.6	77,361	58,159	107.3	75.2
	1	Allowances from the budget	44							
		budgetary allocations relative to payments commitments from previous years	45							
IX		EXPENDITURE ON INVESTMENTS	46	20,106	72,094	358.6	77,361	58,159	107.3	75.2
X		EXPLANATORY DATA	47							
	1	No. of expected staff by the end of the year	48	1,420	1,420	100.0	1,420	1,420	100.0	100.0
	2	Total average no. of employees	49	1,449	1,420	98.0	1,420	1,420	100.0	100.0
	3	Average monthly earnings per employee (lei / person) determined on the basis of salary costs*)	50	3,176	3,630	114.3	3,748	3,804	103.3	101.5
	4	Average monthly earnings per employee based on payroll costs (lei/person) (r.13/r. 49)/12*1000	51	3,020	3,447	114.1	3,558	3,611	103.2	101.5
	5	Labor productivity in value units per total average staff (thousand lei/person) (R.2 / R.49)	52	233	241	103.6	246	258	101.8	105.1
	6	Labor productivity in physical units per total average staff (amount of finished products/person)	53							
	7	Total expenditure per 1000 lei total income (r.7/r.1)x1000	54	899	899	100.0	898	898	99.9	100.0
	8	Outstanding payments	55	0	0		0	0		
	9	Outstanding claims	56	32,654	31,021	95.0	29,470	27,997	95.0	95.0

*) R.50 = R.155 in the Justifying Annex no.2

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Detailing the economic-financial indicators foreseen in the budget of income and expenditure and their quarterly distribution

0	1	INDICATORS	Row no.	Obtained an 2015	Provisions on previous year 2016		Proposal on 2017				%	%
					Approved as per decision of OGMS	Preliminary /Obtained	as follows:					
							1st Quarter	2nd Quarter	3rd Quarter	Year	7=6d/5	8=5/3a
				3a	4a	5	6a	6b	6c	6d	7	8
I.		TOTAL REVENUE (r.2+r.22+r.28)	1	349,902	350,013	345,080	75,629	168,941	235,224	345,863	100.2	98.6
	1	Total operating income (r.3+r.8+r.9+r.12+r.13+r.14), out of which:	2	342,071	343,757	338,113	74,501	167,025	232,704	342,683	101.4	98.8
		a) production sold (r.4+r.5+r.6+r.7), of which:	3	253,317	266,235	244,551	45,233	102,446	166,525	252,904	103.4	96.5
		a1) product sales	4	251,665	264,755	241,995	45,076	102,073	165,956	252,290	104.3	96.2
		a2) services supplied	5	1,562	1,420	2,472	142	322	502	532	21.5	158.3
		a3) royalties and rent	6	90	60	84	15	51	67	82	97.6	93.3
		a4) other income	7									
		b) sale of merchandise	8	78,423	74,330	90,440	12,231	35,978	59,098	87,898	97.2	115.3
		c) subsidies and operating transfers related to net turnover (r.10+r.11), of which:	9									
		c1) subsidies, as per the legal provisions in force	10									
		c2) transfers, as per the legal provisions in force	11									
		d) of the production of fixed assets	12	2,505	2,020	2,177	353	1,572	2,017	2,827	129.9	86.9
		e) income related to the cost of production in progress	13	6,547	932	-900	16,634	26,949	4,954	-1,086	120.7	-13.7
		f) other operating income (r.15+r.16+r.19+r.20+r.21), of which:	14	1,279	240	1,845	50	80	110	140	7.6	144.3
		f1) fines and penalties	15									
		f2) sale of assets and other capital operations/transactions (r.18+r.19), of which:	16									
		- tangible assets	17									
		- intangible assets	18									
		f3) from subsidies for investment	19									
		f4) from recovery of CO2 certificates	20									
		f5) other income	21	1,279	240	1,845	50	80	110	140	7.6	144.3
	2	Financial income (r.23+r.24+r.25+r.26+r.27), of which:	22	7,831	6,256	6,967	1,128	1,916	2,520	3,180	45.6	89.0
		a) financial assets	23									
		b) financial investments	24									
		c) foreign exchange differences	25	7,825	6,250	6,959	1,126	1,913	2,517	3,175	45.6	88.9
		d) interest	26	6	6	8	2	3	3	5	62.5	133.3
		e) other financial income	27									
	3	Extraordinary revenue	28									
II			29	317,854	315,852	310,198	68,192	150,085	216,685	310,918	100.2	97.6

0	1	INDICATORS	Row no.	Obtained an 2015	Provisions on previous year 2016		Proposal on 2017				%	%
					Approved as per decision of OGMS	Preliminary /Obtained	as follows:					
							1st Quarter	2nd Quarter	3rd Quarter	Year	7=6d/5	8=5/3a
			3	3a	4a	5	6a	6b	6c	6d	7	8
	1	Operating expenses (r.31+r.79+r.86+r.120), of which:	30	304,366	307,886	299,387	65,367	145,332	210,260	301,969	100.9	98.4
		A. Expenses on goods and services (r.32+r.40+r.46), of which:	31	169,873	187,077	173,255	38,800	91,425	127,363	184,858	106.7	102.0
	A1	Expenditure on stocks (r.33+r.34+r.37+r.38+r.39), of which:	32	127,355	138,671	134,913	30,050	73,956	95,724	142,401	105.6	105.9
	a)	raw material expenses	33	54,877	65,148	59,383	16,812	40,409	43,419	65,115	109.7	108.2
	b)	expenditures on consumables, of which:	34	9,341	9,500	9,378	2,095	4,825	7,403	10,090	107.6	100.4
	b1)	expenses on spare parts	35	2,051	2,100	2,270	267	777	1,557	2,157	95.0	110.7
	b2)	expenses on fuel	36	2,262	2,300	2,035	482	1,067	1,597	2,110	103.7	90.0
	c)	expenses on materials such as inventory items	37	596	970	727	158	318	498	822	113.1	122.0
	d)	expenses on energy and water	38	8,536	9,349	8,045	2,998	4,770	5,573	8,468	105.3	94.2
	e)	expenses on goods/merchandise	39	54,005	53,704	57,380	7,987	23,634	38,831	57,906	100.9	106.2
	A2	Expenses on services provided by third parties (r.41+r.42+r.45), of which:	40	3,719	4,421	3,282	628	1,278	3,137	4,026	122.7	88.2
	a)	expenses on maintenance and repairs	41	2,147	2,600	1,888	220	515	1,885	2,315	122.6	87.9
	b)	expenditure on rent (r.43+r.44) of which:	42	154	156	160	39	78	117	161	100.6	103.9
	b1)	- to operators with full/majority state capital	43									
	b2)	- to private equity operators	44	154	156	160	39	78	117	161	100.6	103.9
	c)	insurance premiums	45	1,418	1,665	1,234	369	685	1,135	1,550	125.6	87.0
	A3	Expenses on other services provided by third parties (r.47+r.48+r.50+r.57+r.62+r.63+r.67+r.68+r.69+r.78), of which:	46	38,799	43,985	35,060	8,122	16,191	28,502	38,431	109.6	90.4
	a)	Expenses with collaborators	47									
	b)	Expenses with commissions and fees	48	223	287	205	81	146	172	184	89.8	91.9
	b1)	Expenditure on legal advice	49	55								
	c)	expenses on protocol, advertising and publicity (r.51+r.53), of which:	50	3,276	2,100	3,457	741	1,451	2,141	2,811	81.3	105.5
	c1)	expenses on protocol, of which:	51	657	600	800	204	374	524	654	81.8	121.8
		gift vouchers according to the Law no.193/2006, with subsequent changes	52									
	c2)	advertising expenditure, of which:	53	2,619	1,500	2,657	537	1,077	1,617	2,157	81.2	101.5
		- gift vouchers according to the Law no.193/2006, with subsequent changes	54	0								
		- gift vouchers for marketing campaigns, market research, promotion on existing or new markets, as per Law 193/2006, with subsequent changes:	55									
		- promoting products	56	2,619	1,500	2,657	537	1,077	1,617	2,157	81.2	101.5
	d)	expenses regarding sponsorship (r.58+r.59+r.60+r.61), of which:	57	1,945	1,100	1,946	460	693	877	1,117	57.4	100.1
	d1)	sponsorship for sports clubs	58	1,390	440	1,521	185	279	353	447	29.4	109.4
	d2)	sponsorship of religious institutions	59	5	0	0	0	0	0	0	0.0	0.0
	d3)	sponsorships in healthcare and the medical field	60	123	440	287	182	274	348	447	155.7	233.3
	d4)	other sponsorship expenses	61	427	220	138	93	140	176	223	161.6	32.3
	e)	expenditure on the transport of goods and people	62	1,687	2,000	2,146	463	1,013	1,553	2,113	98.5	127.2
	f)	expenses relative to mobility, remote work, transfer, of which:	63	1,218	2,293	1,109	272	553	1,099	1,677	151.2	91.1

0	1	INDICATORS	Row no.	Obtained an 2015	Provisions on previous year 2016		Proposal on 2017				%	%
					Approved as per decision of OGMS	Preliminary /Obtained	as follows:					
							1st Quarter	2nd Quarter	3rd Quarter	Year	7=6d/5	8=5/3a
			3	3a	4a	5	6a	6b	6c	6d	7	8
		- average price (p)	160									
		- value =QPF x p	161									
		- share in total operating income = r.161/r.2	162									
	7	Outstanding payments	163	0	0	0	0	0	0	0	0.0	0.0
	8	Outstanding claims, out of which:	164	38,594	32,800	32,654	32,500	31,500	31,200	31,021	95.0	84.6
		- from state-owned companies (with full /majority capital)	165									
		- from private equitycompanies	166	38,594	32,800	32,654	32,500	31,500	31,200	31,021	95.0	84.6
		- from state budget	167									
		- from local budget	168									
		- from other entities/companies	169									
	9	Loans financing current activity (putstanding balance to reimburse)	170	41,779	40,706	40,706	58,000	63,000	65,000	40,000	98.3	97.4

*) în limita prevazuta la art.25 alin.3 lit.b din Legea nr.227/2015 privind Codul fiscal, cu modificările și completările ulterioare

* within the limit stipulated at art.25 letter b) of Law 227/2015 regarding the Fiscal Code with subsequent amendments

CEO,
EC. IOAN NANI

FINANCIAL DIRECTOR,
EC. PAULA COMAN

Degree of obtaining total revenue

thousand lei

No	INDICATORS	Estimations in 2015		%	Estimations in 2016		%
		Approved	Obtained		4=3/2	Approved	
0	1	2	3	4	5	6	7
1.	Total revenue (r.1+r.2+r.3), of which:	339,845	349,902	102.96	350,013	345,080	98.59
1	Operating income (diminished by the amounts received from the state budget)	332,832	342,071	102.78	343,757	338,113	98.36
2.	Financial income	7,013	7,831	111.66	6,256	6,967	111.37
3.	Extraordinary income						

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Program for investment, equipment and financing sources

THS lei

0	1	INDICATORS	Date when investment is completed	2016		Value		
				previous year	2016	current year 2017	2018	2019
				Approved	Obtained/ Preliminary			
				4	5	6	7	8
I		INVESTMENT FINANCING SOURCES, of which:		54,761	20,106	72,094	77,361	58,159
	1	Self-financing sources, of which:		54,761	20,106	48,010	40,302	49,340
		a) - depreciation		16,930	7,086	19,003	20,923	28,942
		b) - profit		12,831	0	12,553	13,633	14,371
		c) - amortization and profit from previous years		25,000	11,657	10,861		
		d) - fiscal facility (Article 22 paragraph 1 of Law 227/2015)			1,363	5,593	5,746	6,027
	2	Allowance from the budget						
	3	Bank loans, out of which:				24,084	37,059	8,819
		a) - domestic				24,084	37,059	8,819
		b) - external						
	4	Other sources, of which:						
II		EXPENSES FOR INVESTMENT, of which:		54,755	20,106	72,094	77,361	58,159
	1	Investment in progress, of which:		6,630	4,270	10,041		
		a) for the private property of the economic operator:						
		Equipment for filling powders in capsules for the Capsules Plant, laboratory technology, other acquisitions	2016	6,630	4,270	0	0	0
	2	New investment, of which:		48,125	15,836	62,053	77,361	54,159
		a) for the goods/private property of the economic operator						
		Completing a production capacity for Ointments and Suppositories	2019	19,890	1,775	23,433	28,665	4,550
		Implementing a monosadosage production capacity	2020					9,100
		Upgrading, diversifying the range of products based on Nystatin API	2021					11,375
		Investments for Biosynthesis	2017	583	305	1,101	1,547	432
		Investments for the Tablet Plant	2017	323	246	3,906	10,237	5,005
		Investments for the Parenteral Products Plant	2017	528	428	4,255	4,072	2,357
		Investment for the opaque Capsules Plant	2017	2,493	59	2,526	10,010	3,504
		Investments for Ointments and Suppositories	2017	548	147	1,080	5,676	1,820
		Medical Unit - Acquiring licensing for new products and research projects	2017	3,187	2,134	3,185	2,275	2,275
		Lab technique for the Medical Unit	2017	5,954	3,841	3,542	2,275	2,275
		Lab technique for the Quality Unit	2017	5,268	2,895	4,274	5,915	1,365
		Marketing Unit - Purchasing cars, computing technique	2017	779	293	2,921	2,730	455
		Economic Unit - Acquiring computing technique	2017	66	55	91	91	91
		Commercial Unit - Acquisitions of equipment and installations, refurbishment, rehabilitation	2017	2,016	826	3,094	228	6,825
		Engineering and Investment Unit - Acquisition of equipment and installations, refurbishment, rehabilitation	2017	3,396	2,349	8,645	3,640	2,730
		Investments in maintaining and strengthening the Integrated Management System (independent design, machinery and equipment)	2016	3,094	483			
	4	Equipment and facilities (other acquisitions of fixed assets)						
	5	Paying back interest rates on investment loans, out of which:						4,000
		a) - internal						4,000
		b) - external						

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Measures to improve gross income and reduce outstanding payments

thousand lei										
No.	Measures	Completion deadline	previous year 2016		current year 2017		2018		2019	
			Preliminary/Obtained		Influences (+/-)		Influences (+/-)		Influences (+/-)	
			Gross result (+/-)	Outstanding payments	Gross result	Outstanding payments	Gross result	Outstanding payment	Gross result	Outstanding payment
0	1	2	3	4	5	6	7	8	9	10
I	Measures to improve the gross result									
1	Measure 1: Increasing volume for sold production		X	X	63	0	968	0	1,755	0
			X	X						
	TOTAL Point I		X	X	63	0	968	0	1,755	0
II	Causes that diminish the effect of measures set out in Point I									
1	Cause 1:		X	X						
			X	X						
	TOTAL point II		X	X						
III	TOTAL GENERAL I + II		34,882	0	63	0	968	0	1,755	0

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